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Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 CIAE-00 EB-08 INR-10 LAB-04
NSAE-00 PA-02 SIL-01 ICA-20 AGRE-00 /058 W
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TO SECSTATE WASHDC 3485
INFO AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: BEXP, JA
SUBJECT: VISIT OF WESTERN WOOD PRODUCTS ASSOCIATION
(WWPA) OFFICERS TO OSAKA

1. SUMMARY. DURING A SHORT VISIT TO OSAKA FROM APRIL 18 TO 21, OFFICERS OF WWPA ATTENDED THE OPENING OF THE OSAKA INTERNATIONAL TRADE FAIR, VISITED A NUMBER OF HOME BUILDING SITES AND MET WITH LUMBER BUSINESS LEADERS. MAJOR CONCLUSION REACHED DURING VISIT WAS THAT INCREASED PROMOTION IN JAPAN OF THE 2X4 OR PLAT-FORM FRAME CONSTRUCTION SYSTEM IS THE KEY TO INCREASING DEMAND FOR US DIMENSION LUMBER IN JAPAN. WWPA INTENDS TO STEP UP PROMOTIONAL EFFORTS OF THE 2X4 SYSTEM IN JAPAN AND INTENDS TO SEEK ACTIVE USG SUPPORT AT THE WASHINGTON LEVEL FOR THIS EFFORT. END SUMMARY.

2. MR. H. M. WHITING, PRESIDENT, AND MR. H.A. ROBERTS, EXECUTIVE VICE PRESIDENT OF WWPA ATTENDED THE OPENING OF THE OSAKA INTERNATIONAL TRADE FAIR ON APRIL 19. THEIR INTEREST IN THE FAIR STEMMED FROM A $3,000 CONTRIBUTION BY WWPA TO THE TOTAL HOUSING PAVILION AT THE FAIR. THE PAVILION FEATURED A HOUSE CONSTRUCTED USING THE 2X4 METHOD. MEMBERS OF THE KANSAI PLATFORM FRAME CONSTRUCTION SYSTEM ASSOCIATION, WHICH PLAYED A
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LEADING ROLE IN ORGANIZING THE TOTAL HOUSING PAVILION, WERE EXTREMELY PLEASED WITH VISITOR REACTION TO THE PAVILION, AND APPRECIATD WWPA'S INTEREST IN THE PROJECT.

3. WWPA OFFICERS ALSO VISITED BUILDING SITES TO SEEK 2X4 AND TRADITIONAL CONSTRUCTION. WWPA'S QUESTIONS ABOUT THE PRACTICE OF PRICING 2X4 HOUSES, WHICH ARE

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SUPPOSED TO BE CHEAPER TO BUILD, AT THE SAME LEVEL AS TRADITIONAL HOUSES, WERE ANSWERED IN A VARIETY OF WAYS BY HOME BUILDERS AND LUMBER DEALERS. ONE BUILDER SAID HE MARKETED 2X4 HOUSES AS "QUALITY" HOUSES AND THUS PRICED THEM "HIGHER" THAN TRADITIONAL HOUSES. ANOTHER SAID THAT THE PRICE OF THE LAND IS OVER 50 PERCENT OF THE FINAL PRICE. THUS, CHEAPER CONSTRUCTION COSTS USING 2X4 METHOD DO NOT IMPACT AS MUCH AS EXPECTED ON THE FINAL SALES PRICE. LUMBER DEALERS ADDED THAT HOME BUILDERS TEND TO USE HIGHER QUALITY AND HIGHER PRICED INTERIOR MATERIALS ON 2X4 HOUSES TO MAKE THEM LOOK MORE EXPENSIVE.

4. WWPA'S DISCUSSIONS WITH LUMBER BUSINESS LEADERS REVEALED A NUMBER OF OTHER INTERESTING POINTS. AMONG THEM: WHOLESALERS OF 2X4 COMPONENTS SELL THEM AT A 10 PERCENT MARGIN IN CONSTRAST WITH A 20 TO 25 PERCENT MARGIN FOR LUMBER PRODUCTS FOR TRADITIONAL HOUSES. OF THE 7,000 2X4 HOMES CONSTRUCTED IN 1977, OVER 90 PERCENT WERE BUILT BY 6 OR 7 LARGE HOME BUILDERS; THE REMAINDER WERE BUILT BY 15 TO 20 SMALLER BUILDERS. THE LARGE HOMEBUILDERS USUSALLY BUY 2X4 COMPONENTS DIRECTLY FROM THE IMPORTER AND, AS A CONSEQUENCE, WHOLESALER INTEREST IN 2X4 COMPONENTS IS MARGINAL. SOME COMPLAINTS ABOUT THE LOWER QUALITY OF U.S. LUMBER PRODUCTS (COMPARED TO PRODUCTS SAWED LOCALLY) WERE ALSO AIRED, ALONG WITH UNCLASSIFIED

THE FAMILIAR OBSERVATION THAT U.S. LUMBER PRODUCTS WERE PRICED 10 TO 15 PERCENT ABOVE CANADIAN PRODUCTS. IN CONCLUDING THE DISCUSSIONS, ALL AGREED THAT POOR SALES OF U.S. DIMENTION LUMBER WERE THE DIRECT RESULT OF SMALL DEMAND FOR 2X4 HOUSES IN JAPAN. BUT IF DEMAND FOR 2X4 HOUSES WERE TO BECOME STRONGER, JAPAN WOULD BUY MORE IDMENSION LUMBER FROM ABROAD, INCLUDING THE U.S. IN A RISING MARKET, JAPANESE LUMBER DEALERS WOULD BE IN A POSITION TO OVERCOME THE MANY ANCILLARY PROBLEMS OF INSPECTION, QUALITY, DISTRIBUTION, ETC. THUS, THE NEED FOR MORE AND BETTER PROMOTION OF 2X4 HOUSES AND OF U.S. DIMENSION LUMBER.

5. MR. WHITING AND MR. ROBERTS LISTENED CAREFULLY TO ALL POINTS OF VIEW AND PROMISED TO BRING THEIR FINDINGS TO THE EXPORT COMMITTEE OF WWPA, TO THE MAY CONVENTION OF THE NATIONAL FOREST PRODUCTS ASSOCIATION, AND DIRECTLY TO THE DEPARTMENTS OF COMMERCE AND AGRICULTURE. FINALLY, THE WWPA OFFICERS EXPRESSED THE HOPE THAT ACTIVE USG SUPPORT, PERHAPS THROUGH A PROGRAM SIMILAR TO USDA'S COOPERATOR PROGRAM, COULD BE DEVELOPED FOR U.S. FOREST PRODUCTS DURING THEIR WASHINGTON VISIT IN

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